

**Corrective Action Plan**  
**Limited Review of the Treasurer's Office Internal Control Procedures for the Issuance of Manual Checks**  
**May 2005**

Audit Rec #	Recommendation	Implementation (note department's intention to implement the recommendation by an "A" for Recommendation Accepted or an "R" for Recommendation Rejected)	Target Imp. Date	Department Comments (including reason(s) for rejecting recommendation: failure to implement or implementation dates in excess of 90 days from due date of CAP)
1	The Treasurer's Office should consider transferring the audit and authorization functions associated with the issuance of manual check payment responsibility to the Comptroller's Office Claims Section. This includes audit and authorization responsibility for court ordered payments, tax refunds, payouts approved by the legislature and bail payments. The migration of audit and authorization payment functions to the Claims Section would provide the proper segregation of duties, provide detail payment history in NIFS and reflect the monthly outstanding manual check liability in the accounting records. Until manual check payment functions have been migrated to the Comptroller's Office Claims Section, we suggest the following:			
	1) The Comptroller's Office should have an interim oversight role over manual check payment functions (audit and authorization) performed by the Treasurer's Office:			
	2) The outstanding check liability at the time the manual check is created and issued should be manually created in NIFS by use of journal entries.			
	Manual checks that clear financial institutions, as reflected on monthly bank statements or runs, should be reflected in NIFS. All outstanding checks for each bank should be reconciled to NIFS.			
2	a. Procedures governing the issuance of manual checks should be documented. They should include:			
	1) procedures to safeguard unused manual check stocks, account for the sequences of used and unused manual checks, and identify by bank account check sequence numbers associated with spoiled, voided, stale dated, and outstanding manual checks;			
	2) guidelines describing common situations where usage of a manual check is appropriate;			
	3) safeguarding of, and accounting for, the use of the approval signature plates used to sign manual checks;			
	4) the steps required to record the manual check transaction in the financial records;			
	5) manual check stale dating procedures, specifically:			
	a) the accounting treatment for the manual checks written to withdraw funds from one account for subsequent re-deposit into another;			
	b) the impact on the outstanding check list and the bank reconciliations; and			
	c) how each bank is advised that checks were deemed stale dated;			
	6) procedures for reconciling the cash accounts in the primary funds to the fund equity accounts and to the Treasurer's bank ledgers and the bank statement;			
	7) exception processing procedures; and			
	8) implementation of documentation standards that would require that the individual who performs the work, sign or initial and date the work, in order to establish accountability.			
	b. Job description should be written and tasks should be formally delegated to achieve a proper segregation of duties. Consideration should be given to utilizing a function/responsibility matrix approach to document the staff assignments while also establishing a format that would help to quickly highlight instances where an improper segregation of duties exists. The written delegation of duties and the segregation of duties assignment should be dated and approved. It should also be routinely reviewed, updated and reissued when necessary.			

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3	a. Unused manual checks should be safeguarded by locking them in a secure location when not in use. If it is impractical to lock the check printing room during the day, we recommend that the checks stored there be kept in a locked cabinet or other secure container.			
	b. The log of used and unused manual checks, and the procedures followed, should be enhanced to:			
	1) include the bank account numbers and the sequence of check numbers;			
	2) require custodians to initial, dated and provide a reason for any changes made to the logs;			
	3) include the reason for checks being issued out of sequence;			
	4) require logs and changes to the logs to be reviewed by someone other than the custodians and the review to be signed and dated; and			
3	5) require an employee other than the custodian to:			
	a. perform periodic counts of unused checks;			
	b. verify unused check number sequences to the log;			
	c. compare the logs of used and unused checks to ensure that the total check sequences are accounted for; and			
	d. evidence their review by signature and date.			
	c. The department should convert the handwritten formats currently used to prepare the logs to a pre-typed format using a software program such as Excel or Word. This would greatly improve the legibility of the logs and improve efficiency by eliminating the need to rewrite column headings, bank account numbers, etc.			
4	d. Unused check stock for accounts that have been closed should be shredded. The shredding should be witnessed and documented, and the log should be updated to reflect the date the account was closed and the date the checks were shredded.			
	a. A Treasurer's Office employee should be assigned to review and approve the manual check and wire transfer request forms prior to the checks being written or the wire transfers being executed.			
	b. Manual checks prepared by the Check Writing Unit should be returned to a county employee other than the employee who requested the manual check. Likewise, someone other than the employee who requested the wire transfer should execute wire transfers.			
	c. The various manual check request forms and write transfer request forms currently in use should be utilized as guides in the redesigning and redeveloping of one or more standardized forms which would clearly distinguish different request types, such as regular manual checks from emergency manual checks and internal wire transfers from external wire transfers. The request forms should be designed to include designated spaces for all information required for a specific request type, including the reason for the request and the signature and date of the preparer and approver.			
5	d. Requests for manual checks and write transfers should be numerically controlled and accounted for, including dollar control totals, by use of a log. The information in the log should be compared to the daily totals (both quantity and dollars) of manual checks written and wire transfers executed.			
	The current process that is in place to receive and record cash bail receipts and disbursements should be reengineered to ensure a proper segregation of duties. Proper segregation must exist between recording cash receipts, cash disbursements, journal entry processing, check signing, and bank reconciliation.  Specifically, manual checks to refund bail, or forfeit bail in favor of Nassau County, should be:			

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5	a. prepared by an employee other than the employee who receives the cash bail, forwards the cash receipt to the Cashier for deposit, and enters the cash receipt into the Bail systems and NIFS; and			
	b. signed, by use of hand stamp, by an employee other than the employee responsible for receiving cash bail, entering the disbursements into the system, preparing the related manual cash disbursement checks and updating the bail system and NIFS.			
6	a. The department should develop0 and implement a separate emergency manual check request form. The form should be clearly entitled as an emergency check request.			
	b. The emergency manual check request should include: designated spaces for the reason for the request, the check number and dollar amount of the warrant check being replaced, the required approvals, including the signature of the Comptroller or Comptroller's designee, and a notation (to be entered at a later time) indicating that a warrant check was held including when and where it was re-deposited.			
	c. In general, the substance of the recommendations made in Audit Finding (4) also applies here to emergency manual checks.			
7	The practice of holding checks on a regular and routine basis (other than for warrant checks related to an emergency manual check) negates the internal controls inherent in the customary process of mailing the check to the authorized name and address on file. Accordingly, such a practice should be kept to a minimum and subjected to more oversight as follows:			
7	a. For all holds that are currently being done on a routine basis, either for specific disbursement types or for certain county agencies or departments, a review should be performed to determine and document the reason that the checks must be held and not mailed. The reason provided should address the risks associated with intervening in the normal distribution by US Mail, including compensating controls and how a proper segregation of duties will be assured. The documentation should be reviewed and approved by a senior level individual. Also, any new requests to hold checks on a regular or routine basis should be subjected to the same oversight process.			
	b. For all non routine and/or emergency check holds, check hold slips should be used to document the requests and an employee independent of the disbursement process should be delegated the responsibility to review and approve the check hold slip. The existing check hold slip should be modified to include the reason for the hold, especially when it is to hold a check for which an emergency manual check has already been prepared and issued. Space should be designated on the hold slip for both the preparer's and approver's signature and date.			
	c. Check hold slips should be numerically controlled, accounted for, and retained.			
	d. All check holds should continue to be recorded in a log by the Check Writing Unit. The following information should also be entered in the log			
	1) the amount of the check held or a control total for a services of checks held;			
	2) a clear "Emergency Check" notation when the hold slip is related to the prior issuance of an emergency manual check; and			
	3) a clear "Approved Routine Hold" notation for holds that are formally authorized to be done on a routine or recurring basis.			
	e. The employee authorized to pick up a held check must sign for it. All exceptions must be clearly explained and documented in the book, with an approval signature and date.			

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7	f. A periodic review of the hold log should be performed by an employee other than the employee who keeps the log to ensure that procedures are being followed. This periodic review should be documented, including the range of hold slip entries reviewed, the signature and the date of the reviewer and any follow up actions taken.			
8	The department should implement an accounting control over the movement of cash related to emergency manual checks as follows:			
	a. All emergency manual check disbursements should be posted as a debit to a general ledger clearing control account in NIFS, included on the cash disbursement register prepared by the Treasurer's Office, and reconciled daily to NIFS. Manual checks that have cleared the bank should be entered as such in NIFS as an offset to the outstanding check liability account (set up whenever a manual check is generated - see earlier recommendation). The outstanding check balance in the liability account should be reconciled to the outstanding checks listed on the bank statement.			
	b. The re-deposit of the corresponding warrant check or checks should be posted in NIFS as the offset to the general ledger clearing control account. The NIFS payment history should clearly reflect the re-deposit of the warrant check and the issuance of the replacement check.			
	c. All open items in the general ledger clearing control account in NIFS should be reviewed and resolved in a timely manner.			
9	a. The two Court and Trust bank accounts should be reconciled by an employee other than the employee who keeps the records, and prepares the manual checks and journal entries and also files Forms AC2709 "Verification and Checklist for Unclaimed Property" with the New York State Comptroller's Office.			
	b. The Bond and Coupon bank account with JP Morgan Chase should be reconciled monthly.			
	c. The employee who prepares the bank reconciliation should sign and date the reconciliation.			
	d. An employee other than the preparer should review each bank reconciliation on a timely basis. The reviewer should evidence his or her work by signing and dating the reconciliation.			
9	e. Reconciling items on the bank reconciliation should be dated and grouped into current month items and items carried forward from previous month's reconciliations. This includes outstanding checks.			
	f. Explanatory comments should be included on the bank reconciliation to briefly document the nature and status of each reconciling item.			
	g. Follow-up procedures should be performed and documented regarding outstanding checks to determine why the manual checks remain outstanding more than the expected time, and to identify unusual items, and recurring items and patterns, such as repetitive payee names or amounts and duplicate check numbers.			
10	a. The County Attorney should review the practice of stale dating checks when they are outstanding for one year and routinely recognizing them as revenue to ensure compliance with the NYS Abandoned Property Law.			
10	b. The process followed by the banks using positive pay files, to validate both warrant and manual checks presented for payment, should be explored to determine what happens when checks dated one year and older, which have been reversed to revenue by the county, are presented to the bank for payment. The county's procedures should be modified accordingly.			

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11	a. Internal wire transfer requests to move funds between Nassau county bank accounts should be clearly distinguished from external wire transfer requests to move money to third party accounts and requests to prepare manual checks.			
	b. An employee with signatory authority should execute wire transfers.			
	c. Approval procedures and authorization limits should be established.			
12	We recommend that the Treasurer's Office review this matter with the County Attorney to determine whether and which employees should be bonded.			